

## Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 XMB-07 CAB-09 CIAE-00 COME-00

DODE-00 DOTE-00 EB-11 INR-11 NSAE-00 RSC-01 FAA-00

TRSE-00 L-03 AID-20 MC-02 DRC-01 /107 W

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R 231355Z SEP 74

FM USINT ALGIERS

TO SECSTATE WASHDC 1120

INFO AMCONSUL CASABLANCA

AMEMBASSY PARIS

AMEMBASSY TUNIS

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E.O. 11652: N/A

TAGS: EFIN, AG

SUBJ: EXIM FINANCING OF AIR ALGERIE FUTURE PLANE  
PURCHASES

REF: ALGIERS 1964

1. USINT ECON OFFICER HAD A GOOD DISCUSSION WITH  
NEW AIR ALGERIE DIRECTOR OF FINANCE, MOHAMED L.  
BENREBOUH, ON SEPTEMBER 4, 1974.

2. BENREBOUH DID KNOW OF LETTERS TO BOUZADA, BUT  
DID NOT TAKE JULY 25 RESPONSE AS CLOSING MATTER.  
BENREBOUH HAS TALKED ABOUT PROBLEMS WITH BOEING-  
BORRIS MITCHELL. PRESENT THINKING IS TO ASK FOR  
BOEING-AIR ALGERIE-EXIM MEETING IN WASHINGTON,  
BUT DATE IS NOT SET YET.

3. BENREBOUH'S ARGUMENT GOES THAT AIR ALGERIE  
DECIDED TO GO ALL BOEING. NOW USG TAKING ADVANTAGE  
OF THIS DECISION. THUS AIR ALGERIE MUST RETHINK ITS  
DECISION TO CONCENTRATE ON SINGLE PLANE MANUFACTURER.  
HE MAY WELL BUTTRESS HIS ARGUMENT OF DISCRIMINATION

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CITING THAT EXIM OFFERING TO FINANCE 40 PERCENT OF  
PURCHASE FROM UNITED AIRCRAFT FOR TURBIN SALE TO

SONELGAZ. HE MAY ALSO CITE BETTER TERMS OFFERED BY FRENCH AND ENGLISH.

4. RETHINKING WILL COME IN NEXT LARGE PURCHASE OF AIRCRAFT. AIR ALGERIE PRESENTLY CONSIDERING WIDE-BODIED CRAFT--AIRBUS AND L-1011. HOWEVER, BOEING ALSO HAS INTERESTING OFFER OF 707'S WHICH WOULD GIVE AIR ALGERIE MISSING LONGER RANGE PLANE. AIR ALGERIE HAD PLANNED TO MAKE A DECISION THIS YEAR, BUT RECENTLY HINGS HAVE BEEN MADE THAT NO DECISION ON NEW AIRCRAFT OR WIDE-BODIED AIRCRAFT WILL BE MADE FOR 18 MONTHS.

5. AIRBUS WELL SUITED FOR AIRALGERIE'S PRESENT ROUTE STRUCTURE, BUT ITS SHORT RANGE LIMITS ITS USE. FRENCH, PUSHING AIRBUS HARD, ARE SAID TO BE OFFERING TUNISIA A PLANE FOR A YEAR AT OPERATING COST WITH OPTION THEN TO BUY. REPORTED FINANCIAL TERMS CITE AN INTEREST RATE OF 6-7 PERCENT ON LOAN.

6. LOCKHEED'S SURVEYS GIVE AIRBUS ADVANTAGE ON AIR ALGERIE'S EXISTING ROUTES, BUT LOCKHEED IS POINTING OUT L-1011'S ABILITY TO FLY NORTH ATLANTIC AND LOWER SEAT/MILE COST. L-1011'S DEMONSTRATION FLIGHT HERE ON SEPTEMBER 12 WAS WELL ATTENDED AND VERY IMPRESSIVE. AIR ALGERIE'S FORECASTS SHOW 4-600 AMERICANS IN ALGERIA BY 1977/78 AND COMPANY BELIEVES THERE IS A REAL MARKET IN NORTH AMERICAN ROUTE. THIS IS ESPECIALLY TRUE IF FLIGHT SCHEDULE CAN TAP MOROCCAN TOURIST TRADE. CANADIAN EMBASSY REPORTS AIR CANADA SERIOUSLY CONSIDERING ROUTE. AS PREVIOUSLY REPORTED AIR PAKISTAN ALSO CONSIDERING ROUTE.

7. AIR ALGERIE OFFICIALS REPORTED MAGHREB OFFICIALS MET LAST MONTH TO DISCUSS AIRBUS, BUT SINCE MAGHREB ROUTES ADDITIVE RATHER THAN COMPLEMENTARY LITTLE HOPE IS GIVEN PLANE POOLING ARRANGEMENT. AS AIR ALGERIE OFFICIAL EXPLAINED, SOME PROGRESS IN BEING MADE ON MAGHREB UNITY, AS IN CASE COMMON INSURANCE, LIMITED OFFICIAL USE  
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BUT IT IS LIKE FORMATION OF DESERT SAND FLOWERS--SLOW.

8. ECGD IS OFFERING TO AIR ALGERIE TO FINANCE 80 PERCENT OF L-1011 ROLLS-ROYCE ENGINES OVER TEN YEARS PROVIDED THEY HAVE NOT REACHED CEILING AUTHORIZATION WHEN CONTRACT OF SALE MADE. INTEREST RATE WAS NOT SPECIFIED, BUT UK EMBASSY OFFICIAL SAID IT WOULD BE BETWEEN 6.5 AND 8.5 PERCENT.  
PARKER

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## Message Attributes

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